

## **Over-Collateralization Commitment for Mortgage and Public Sector Covered Bond Programs (Pfandbriefprogramme) of Erste Group**

Erste Group Bank AG (Erste Group) is allowed to issue Covered Bonds (Pfandbriefe) based on the Austrian Mortgage Bond Act (Hypothekbankgesetz). The respective Covered Bonds are secured by claims to customers pursuant to the Austrian Mortgage Bond Act. Due to the law provisions set out in the Austrian Mortgage Bond act Erste Group is obliged to designate said assets stipulating the preferential treatment of Covered Bond holders in insolvency proceedings. The designation has to be carried out separately for both Mortgage Covered Bonds and Public Sector Covered Bonds

In a contract, dated October 21<sup>st</sup> 2014, Erste Group has committed itself to hold an amount of cover assets that exceeds the legal requirements of the Austrian Mortgage Bank Act for Mortgage and Public Sector Covered Bonds. Even though the legally and economically sufficient coverage is ensured, the decision to commit additional Over-Collateralization has been made to meet the requirements of the rating agency, Moody's Investor Services Inc. (Moody's), to maintain the rating of Aa1 (for Mortgage Bonds) and Aa1 (for Public Sector Covered Bonds) respectively.

- The contract stipulates that, for the benefit of the Covered Bond Investors, for as long as the probability that the issuer will cease making payments (the covered bond anchor) of Erste Group as assigned by Moody's is less than A3 it will ensure that the net present value of the cover assets exceeds the aggregate net present value of the Covered Bonds in circulation, for which cover is to be provided in accordance with the Mortgage Bank Law, by an agreed minimum percentage (The Over-Collateralization Percentage):
  - The Mortgage Covered Bond Over-Collateralization Percentage shall be 13%. That is the net present value of the assets in the cover pool shall thus equal 113% of the net present value of the Covered Mortgage Bonds in circulation.
  - The Public Sector Covered Bond Over-Collateralization Percentage shall be 3%. That is the net present value of the assets in the cover pool shall thus equal 103% of the net present value of the Public Sector Covered Bonds in circulation.
- In addition, Erste Group may increase the Mortgage Bond Over-Collateralisation Percentage at any time, but, for the avoidance of doubt, the Issuer shall not be under any obligation whatsoever to do so and any such increase shall be merely voluntary.
- Upon availability of a Rating Agency Confirmation by Moody's, the Issuer may, notwithstanding any other clause in this Agreement, reduce the Over-Collateralisation Percentage provided that the Covered Bonds are assigned a rating of Aa1 or better following such reduction.
- This Commitment shall automatically lapse, and the Erste Group's obligations hereunder shall immediately cease to be in force, in the event that

- the issuers rating of the long-term, unsecured, unsubordinated debt obligations as assigned by Moody's is at least A3 and/or
- the respective Covered Bond Programs of Erste Group cease to be rated by Moody's.

The bespoke contract is a genuine agreement for the benefit of third parties pursuant § 881 of the Austrian General Civil Code entered into for the benefit of the Covered Bonds Investor. Each Covered Bonds Investor is entitled to assert claims with respect to said Covered Bonds under this Agreement against Erste Group.

Erste Group shall publish all communication concerning the commitment on [www.erstegroup.com](http://www.erstegroup.com).

The German text of the Agreement is controlling and binding, the English translation is provided for convenience only.

Vienna, October 27<sup>th</sup> 2014

**Erste Group Bank AG**